

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|----------------------------------|---|----------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name White Pigeon Township | County St. Joseph |
| Fiscal Year End June 30, 2007 | Opinion Date December 4, 2007 | Date Audit Report Submitted to State December 31, 2007 | |

We affirm that:

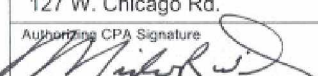
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|--|-------------------------------------|--|------------------------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input type="checkbox"/> | No Comments and Recommendations noted. | |
| Other (Describe) | <input type="checkbox"/> | | |
| Certified Public Accountant (Firm Name) Norman & Paulsen, P.C. | | Telephone Number 269-651-3228 | |
| Street Address 127 W. Chicago Rd. | | City Sturgis | State MI |
| | | Zip 49091 | |
| Authorizing CPA Signature  | | Printed Name Michael R. Wilson CPA | License Number 1101017570 |

TOWNSHIP OF WHITE PIGEON
ST. JOSEPH COUNTY, MICHIGAN

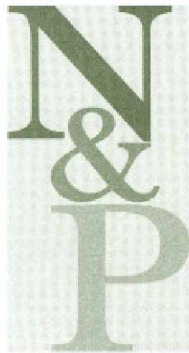
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

June 30, 2007

TOWNSHIP OF WHITE PIGEON

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Norman & Paulsen, P.C.

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Township of White Pigeon
St. Joseph County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of White Pigeon, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of White Pigeon management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of White Pigeon, Michigan, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Norman & Paulsen, P.C.

December 4, 2007

TOWNSHIP OF WHITE PIGEON

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Township of White Pigeon financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Township's financial statements.

Financial Highlights

The Township's overall financial position increased by \$67,961 during the fiscal year ended June 30, 2007, which represents 4.6 percent of the net asset position at the beginning of the year.

The Township's Governmental Funds reflected a total fund balance at June 30, 2007 of \$573,422, which was an increase of \$39,589 from the prior year end.

The total Governmental Fund expenditures for the year ended June 30, 2007, amounted to \$546,167, of which \$235,824 (43 percent) was for general government; \$117,952 (22 percent) was for public safety; and \$176,796 (32 percent) was for debt service.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

TOWNSHIP OF WHITE PIGEON

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Township as a Whole

The following table shows, in a condensed format, the net assets as of the current year end and compared to the prior year end under the modified accrual basis of accounting:

(dollars presented in thousands)

| | Governmental Funds | |
|-------------------|-----------------------|---------------|
| | 2007 | 2006 |
| Assets | \$ 603 | \$ 552 |
| Liabilities | 29 | 18 |
| Fund Balances | | |
| Reserved | 95 | 86 |
| Unreserved | <u>479</u> | <u>448</u> |
| Total Fund Equity | <u>\$ 574</u> | <u>\$ 534</u> |

The following table shows, in a condensed format, the net assets of the current date as required by GASB 34 stated under the full accrual basis.

(dollars presented in thousands)

| | Governmental Activities | |
|--|----------------------------|-----------------|
| | 2007 | 2006 |
| Current and other assets | \$ 603 | \$ 552 |
| Capital assets | <u>1,383</u> | <u>1,501</u> |
| Total assets | 1,986 | 2,053 |
| Long-term debt outstanding | 420 | 565 |
| Other liabilities | <u>35</u> | <u>26</u> |
| Total liabilities | 455 | 591 |
| Net assets | | |
| Invested in capital assets, net of related debt | 963 | 936 |
| Restricted | 89 | 78 |
| Unrestricted | <u>479</u> | <u>448</u> |
| Total net assets | <u>\$ 1,531</u> | <u>\$ 1,462</u> |

TOWNSHIP OF WHITE PIGEON

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets during the current year as compared to the prior year, under the modified accrual basis of accounting:

(dollars presented in thousands)

| | Governmental Funds | |
|------------------------|-----------------------|----------|
| | 2007 | 2006 |
| Revenue | | |
| Taxes | \$ 317 | \$ 187 |
| Licenses and permits | 25 | 21 |
| State grants | 153 | 156 |
| Charges for services | 59 | 53 |
| Interest | 30 | 24 |
| Other | 2 | 30 |
| Total revenue | 586 | 471 |
| Expenditures | | |
| General government | 235 | 239 |
| Public safety | 118 | 109 |
| Public works | 2 | - |
| Community development | 1 | 2 |
| Recreation and culture | 6 | 9 |
| Capital outlay | 7 | 4 |
| Debt service | 177 | 217 |
| Total expenditures | 546 | 580 |
| Excess (deficiency) | \$ 40 | \$ (109) |

TOWNSHIP OF WHITE PIGEON

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows, in a condensed format, the changes in net assets as of the current date as required by GASB 34 stated under the full accrual basis of accounting.

(dollars presented in thousands)

| | Governmental Activities | |
|------------------------------------|----------------------------|---------|
| | 2007 | 2006 |
| Revenues | | |
| Program revenues | | |
| Charges for services | \$ 84 | \$ 74 |
| Operating grants and contributions | 4 | 3 |
| Capital grants and contributions | - | - |
| General revenues | | |
| Property taxes | 317 | 187 |
| State shared revenues | 149 | 153 |
| Unrestricted investment earnings | 30 | 24 |
| Miscellaneous | 2 | 29 |
| Total revenues | 586 | 470 |
| Expenses | | |
| General government | 261 | 264 |
| Public safety | 218 | 208 |
| Public works | 2 | - |
| Recreation and culture | 6 | 2 |
| Community development | 1 | 9 |
| Interest on long-term debt | 30 | 39 |
| Total expenses | 518 | 522 |
| Change in net assets | \$ 68 | \$ (52) |

The Township's Funds

Our analysis of the Township's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. Major funds for the fiscal year ended June 30, 2007 include the General Fund and the Debt Service Fund.

The General fund pays for most of the Township's governmental services. The primary services include community planning and zoning services, fire protection services, road maintenance and administrative services related to general operations that support the primary services. The General Fund is funded primarily by property taxes and state shared revenues.

TOWNSHIP OF WHITE PIGEON

MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

As shown in the required supplemental information, the Township budgeted an increase of \$12,101 in the original budget and a decrease of \$22,975 in the amended budget. Actual operating results ended up as an increase of \$30,651.

The original budget for projected revenues was not amended. Actual results ended the fiscal year within \$27,961 of the amended budget.

The original budget was amended to reflect an increase in projected expenditures of \$35,076. Actual results ended the fiscal year within \$25,665 of the amended budget.

Capital Assets and Debt Administration

During the year ended June 30, 2007, the total capital assets of the Township increased by \$7,276 which was for various equipment and was funded internally.

During the year ended June 30, 2007, the long-term debt obligations decreased by the scheduled principal payments of \$25,476 plus an additional principal payment of \$19,862 for the fire truck note payable and \$100,000 for the general obligation bond issue (Building Authority).

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk's office.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWNSHIP OF WHITE PIGEON

**STATEMENT OF NET ASSETS
JUNE 30, 2007**

| | <u>Primary Government</u> | <u>Component Units</u> |
|---|------------------------------------|----------------------------|
| | <u>Governmental Activities</u> | <u>Library</u> |
| ASSETS | | |
| Cash and investments | \$ 574,697 | \$ 417,691 |
| Receivables, net | 28,088 | 2,098 |
| Capital assets - net | <u>1,382,883</u> | <u>343,621</u> |
| Total assets | 1,985,668 | 763,410 |
| LIABILITIES | | |
| Accounts payable | 25,442 | 5,293 |
| Accrued and other liabilities | 9,821 | - |
| Deferred revenue | - | 70,928 |
| Debt obligations: | | |
| Due within one year | 125,000 | - |
| Due in more than one year | <u>295,000</u> | <u>-</u> |
| Total liabilities | <u>455,263</u> | <u>76,221</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | 962,883 | 343,621 |
| Restricted: | | |
| Debt service | 89,304 | - |
| Unrestricted | <u>478,218</u> | <u>343,568</u> |
| Total net assets | <u>\$ 1,530,405</u> | <u>\$ 687,189</u> |

See accompanying notes to the financial statements

TOWNSHIP OF WHITE PIGEON

**STATEMENT OF ACTIVITIES
JUNE 30, 2007**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|----------------------------------|-------------------|-------------------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Primary government | | | | |
| Governmental activities: | | | | |
| General government | \$ 261,424 | \$ 25,138 | \$ 3,594 | \$ - |
| Public safety | 217,971 | 58,914 | - | - |
| Public works | 1,669 | - | - | - |
| Community development | 1,050 | - | - | - |
| Recreation and culture | 5,600 | - | - | - |
| Interest on long-term debt | <u>30,081</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total governmental activities | <u>\$ 517,795</u> | <u>\$ 84,052</u> | <u>\$ 3,594</u> | <u>\$ -</u> |
| Component unit | | | | |
| Library | <u>\$ 161,504</u> | <u>\$ 6,147</u> | <u>\$ 25,893</u> | <u>\$ -</u> |
| General revenues: | | | | |
| Property taxes | | | | |
| State shared revenues | | | | |
| Unrestricted investment earnings | | | | |
| Miscellaneous | | | | |
| Total general revenues | | | | |
| CHANGE IN NET ASSETS | | | | |
| NET ASSETS - BEGINNING OF YEAR | | | | |
| NET ASSETS - END OF YEAR | | | | |

See accompanying notes to the financial statements

Net (Expense) Revenue and
Changes in Net Assets

Primary
Government

| <u>Governmental Activities</u> | <u>Component Unit</u> |
|------------------------------------|---------------------------|
|------------------------------------|---------------------------|

| | |
|-----------------|----------|
| \$ (232,692) | \$ - |
| (159,057) | - |
| (1,669) | - |
| (1,050) | - |
| (5,600) | - |
| <u>(30,081)</u> | <u>-</u> |

| | |
|-----------|-------------|
| (430,149) | <u>\$ -</u> |
|-----------|-------------|

\$ (129,464)

| | |
|--------------|---------------|
| 317,467 | 148,831 |
| 149,262 | 4,213 |
| 29,634 | 12,755 |
| <u>1,747</u> | <u>11,547</u> |

| | |
|----------------|----------------|
| <u>498,110</u> | <u>177,346</u> |
|----------------|----------------|

| | |
|--------|--------|
| 67,961 | 47,882 |
|--------|--------|

| | |
|------------------|----------------|
| <u>1,462,444</u> | <u>639,307</u> |
|------------------|----------------|

| | |
|---------------------|-------------------|
| <u>\$ 1,530,405</u> | <u>\$ 687,189</u> |
|---------------------|-------------------|

FUND FINANCIAL STATEMENTS

TOWNSHIP OF WHITE PIGEON

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007**

| | General Fund | Debt Service Fund | Total Governmental Funds |
|-----------------------------------|-------------------|-------------------------|--------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 479,493 | \$ 95,204 | \$ 574,697 |
| Accounts receivable | 2,786 | - | 2,786 |
| Due from other governmental units | 25,302 | - | 25,302 |
| Due from other funds | - | - | - |
| Prepaid expenditures | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 507,581</u> | <u>\$ 95,204</u> | <u>\$ 602,785</u> |

LIABILITIES AND FUND BALANCE

| | | | |
|---------------------------------------|-------------------|-------------------|-------------------|
| LIABILITIES | | | |
| Accounts payable | \$ 25,442 | \$ - | \$ 25,442 |
| Accrued liabilities | 3,921 | - | 3,921 |
| Due to other funds | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | 29,363 | - | 29,363 |
| FUND BALANCE | | | |
| Reserved for debt retirement | - | 95,204 | 95,204 |
| Unreserved, undesignated | 478,218 | - | 478,218 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total fund balance | 478,218 | 95,204 | 573,422 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities and fund balance | <u>\$ 507,581</u> | <u>\$ 95,204</u> | <u>\$ 602,785</u> |

See accompanying notes to financial statements

TOWNSHIP OF WHITE PIGEON

GOVERNMENTAL FUNDS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

Total governmental fund balances \$ 573,422

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities
are not financial resources and therefore are
not reported in the funds.

| | | |
|-------------------------------|------------------|-----------|
| Governmental capital assets | \$ 2,159,865 | |
| Less accumulated depreciation | <u>(776,982)</u> | 1,382,883 |

Certain liabilities are not due and payable in
the current period and therefore are not
reported in the funds.

| | |
|---------------|-----------|
| Bonds payable | (420,000) |
|---------------|-----------|

| | |
|--|----------------|
| Accrued interest payable on long-term liabilities is not included as a liability in governmental activities | <u>(5,900)</u> |
|--|----------------|

| | |
|---------------------------------------|----------------------------|
| Net assets of governmental activities | <u><u>\$ 1,530,405</u></u> |
|---------------------------------------|----------------------------|

See accompanying notes to financial statements

TOWNSHIP OF WHITE PIGEON

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007**

| | General Fund | Debt Service Fund | Total Governmental Funds |
|--|--------------------------|-------------------------|--------------------------------|
| REVENUES | | | |
| Taxes and penalties | \$ 183,469 | \$ 133,998 | \$ 317,467 |
| Licenses and permits | 25,218 | - | 25,218 |
| State grants | 152,856 | - | 152,856 |
| Charges for services | 58,834 | - | 58,834 |
| Interest | 24,812 | 4,822 | 29,634 |
| Other | <u>1,747</u> | <u>-</u> | <u>1,747</u> |
| Total revenues | 446,936 | 138,820 | 585,756 |
| EXPENDITURES | | | |
| General government | 235,824 | - | 235,824 |
| Public safety | 117,952 | - | 117,952 |
| Public works | 1,669 | - | 1,669 |
| Community development | 1,050 | - | 1,050 |
| Recreation and culture | 5,600 | - | 5,600 |
| Capital outlay | 7,276 | - | 7,276 |
| Debt service | <u>46,914</u> | <u>129,882</u> | <u>176,796</u> |
| Total expenditures | <u>416,285</u> | <u>129,882</u> | <u>546,167</u> |
| Excess (deficiency) of revenues over expenditures | 30,651 | 8,938 | 39,589 |
| FUND BALANCE - Beginning of year | <u>447,567</u> | <u>86,266</u> | <u>533,833</u> |
| FUND BALANCE - End of year | <u><u>\$ 478,218</u></u> | <u><u>\$ 95,204</u></u> | <u><u>\$ 573,422</u></u> |

See accompanying notes to financial statements

TOWNSHIP OF WHITE PIGEON

GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds \$ 39,589

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is depreciated over their estimated useful lives.

| | |
|---------------------------------|-----------|
| Expenditures for capital assets | 7,276 |
| Depreciation expense | (125,619) |

Repayment of loan principal is an expenditure in the
governmental funds, but the repayment reduces
long-term liabilities in the statement of assets.

| | |
|----------------------------|---------|
| Principal payments on note | 45,338 |
| Principal payments on bond | 100,000 |

| | |
|--|--------------|
| Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid | <u>1,377</u> |
|--|--------------|

| | |
|---|-----------------------------|
| Change in net assets of governmental activities | <u>\$ 67,961</u> |
|---|-----------------------------|

See accompanying notes to financial statements

TOWNSHIP OF WHITE PIGEON

FIDUCIARY FUNDS
BALANCE SHEET
JUNE 30, 2007

| | <u>Agency Funds</u> |
|-------------------------------|-------------------------|
| ASSETS | |
| Cash | <u>\$ 1,006</u> |
| LIABILITIES | |
| Undistributed tax collections | <u>\$ 1,006</u> |

See accompanying notes to financial statements

TOWNSHIP OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of White Pigeon conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to townships. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The more significant accounting policies establishing GAAP and used by the Township are discussed below.

Reporting Entity

White Pigeon Township is located in St. Joseph County, Michigan, and provides services to approximately 2,220 residents in many areas including public safety, highways and streets, general administrative services, fire protection, and community enrichment and development. The Township is a general law township, and is governed by a 5-member board elected by the citizens of White Pigeon Township. The board consists of the supervisor, clerk, treasurer, and two trustees whom reside in the community.

As required by generally accepted accounting principles, GASB 14, these financial statements present the Township (the primary government) and its component units, entities for which the Township is considered to be financially accountable. The component units discussed below are included in the Township's reporting entity because of the significance of their operational or financial relationships with the Township.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units. Each blended and discretely presented component unit has a June 30 year-end.

Blended Component Units - Blended component units, although legally separate entities, are, in substance, part of Township operations and so data from these units are combined with data from the primary government.

TOWNSHIP OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Township of White Pigeon Building Authority - The Authority is governed by a three-member board appointed by the Township Board of Trustees. The Township is involved in the purchases by lease contract, of the fire station and improvements to the library building from the Authority. For financial reporting purposes, the Building Authority is reported as if it were part of the Township's operations since its sole purpose is to acquire and lease property to the Township.

Discretely Presented Component Units - The component units' columns in the government-wide financial statements include the financial data of the Township's other component units. These units are reported in a separate column to emphasize that they are legally separate from the Township.

White Pigeon Township Library - The Library was created under Act 164 of 1877 MCL 397.210 and is governed by a separate Board of Directors. MCL 397.210 (3) requires that the Library Board provide the Township Supervisor an estimate of the amount of money necessary for the support and maintenance of the library for the ensuing years not exceeding the mills approved by the voters for the establishment of the public library. Complete financial statements of the White Pigeon Township Library can be obtained from their administrative office, 102 N. Kalamazoo Street, White Pigeon, MI 49099.

Basis of Accounting - Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Township as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

TOWNSHIP OF WHITE PIGEON

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Township and for each governmental and component unit program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Some functions, such as administrative and financial services include expenses that are, in essence, indirect expenses of other functions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Township.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Basis of Accounting - Fund Financial Statements - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- * Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- * Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

TOWNSHIP OF WHITE PIGEON

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The Township reports the following major funds:

General Fund - The general fund is the general operating fund of the Township. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

Debt Service Fund - is used to record tax, interest, other revenue for payment of principal, interest and other expenditures on the bond issue.

The following is a description of three major categories and various fund types within those categories into which the funds are grouped:

Governmental Fund - All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition - "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if it is collected within 60 days of the end of the current fiscal period. Property taxes, intergovernmental revenue, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Reimbursements due for state and federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

TOWNSHIP OF WHITE PIGEON

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expenditure Recognition - The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The following is a description of the governmental fund types of the Township:

General Fund - The general fund is the general operating fund of the Township. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from property taxes, state shared revenues and charges for services.

Debt Service Fund - is used to record tax, interest, other revenue for payment of principal, interest and other expenditures on the bond issue.

Proprietary Funds - All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

The following is a description of the proprietary fund types of the Township:

Fiduciary Funds (Not Included in Government-Wide Financial Statements) - Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs.

Agency Funds - Agency funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

TOWNSHIP OF WHITE PIGEON

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgets and Budgetary Accounting - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general fund. The Township adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget. The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- * On or about June 30, the Township Board submits to the general public a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- * Public hearings are conducted to obtain taxpayer comments.
- * On or about April 1, the budget is legally enacted through passage of resolution.
- * The Township Board is authorized to transfer budgeted amounts within departments.
- * The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles.
- * Appropriations for the general fund lapse at the end of the fiscal year.
- * Budgeted amounts are as originally adopted or as amended by the Board of Trustees.

Deposits and Investments - Statutes authorize the primary government and component units to invest in the following:

- * In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- * In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a saving and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.

TOWNSHIP OF WHITE PIGEON

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- * In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- * In United States government of federal agency obligation repurchase agreements.
- * In banker's acceptances of United States banks.
- * In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- * In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

TOWNSHIP OF WHITE PIGEON

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets and Depreciation - Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 (\$20,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning July 1, 2006. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | <u>Depreciable Life-Years</u> |
|----------------------------|-----------------------------------|
| Roads | 40 |
| Land improvements | 15-30 |
| Buildings and improvements | 15-40 |
| Machinery and equipment | 5-20 |
| Vehicles | 2-7 |
| Furniture and other | 3-7 |

Deferred Revenue - In the fund financial statements, governmental funds report deferred revenue in connection with resources for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

TOWNSHIP OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Property Taxes - The Township's property taxes are levied as an enforceable lien on property as of December 1 and are due without penalty on or before February 14. These tax bills include the Township's own property taxes and a portion of the taxes billed on behalf of other governments and school districts within the Township's boundaries. Real property taxes not collected as of March 1 are turned over to St. Joseph County for collection. The County advances the Township 100% for delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the Township's treasurer. The Township's property taxes levied on December 1 provide the revenue for the current fiscal year.

Taxes collected and remitted to other governments and school districts are accounted for in the Tax Collection Fund.

The assessed and state equalized taxable value of real and personal property located in the Township totaled \$148,183,300. The Township's general operating levy for the year was based on a millage rate of .9203. The Township's debt service levy for the year was based on a millage rate of .9000.

Fund Equity - In the fund statements, reservations of fund balance represent amounts that are not available for appropriation or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TOWNSHIP OF WHITE PIGEON

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 2 - DEPOSITS AND INVESTMENTS

The Township's deposits and investments are included on the balance sheet under the following classifications:

| | |
|------------------------------------|-------------------------------|
| | <u>Primary Government</u> |
| Statement of Net Assets: | |
| Cash and cash equivalents | \$ 574,697 |
| Statement of Fiduciary Net Assets: | |
| Cash | <u>1,006</u> |
| Total | <u><u>\$ 575,703</u></u> |

Cash - Statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts are made with banks doing and having a place of business in the state of Michigan that are also members of a federal or national insurance corporation.

At June 30, 2007, the book balance was \$575,703 and the bank balance (without recognition of outstanding checks or deposits in transit) was \$584,411, of which \$376,952 was insured by federal depository insurance and \$-0- was uninsured and uncollateralized. The balance of \$207,459 was invested in bank municipal investment funds which are not categorized by risk.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution it deposits Township Funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The carrying amount of deposits for White Pigeon Township Library, a discretely presented component unit, was \$417,691 and the bank balance was \$417,691. Of the bank balance \$271,796 is covered by federal depository insurance, and \$145,895 is uninsured and uncollateralized.

TOWNSHIP OF WHITE PIGEON

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 3 - RECEIVABLES

Receivables as of year end for the Township's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

| | |
|------------------------------------|-------------------------|
| Receivables: | <u>General</u> |
| State revenue sharing | \$ 24,184 |
| Election reimbursement | 1,118 |
| Franchise fee | 627 |
| Fire runs | 759 |
| Rental | 400 |
| Miscellaneous | <u>1,000</u> |
| Gross receivables | 28,088 |
| Less: allowance for uncollectibles | <u>-</u> |
| Net total receivables | <u><u>\$ 28,088</u></u> |

TOWNSHIP OF WHITE PIGEON

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007, was as follows:

| | Balance July 1, 2006 | <u>Additions</u> | <u>Disposals</u> | Balance June 30, 2007 |
|---|----------------------------|------------------|------------------|-----------------------------|
| Governmental activities | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 47,480 | \$ - | - | \$ 47,480 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 1,291,199 | - | - | 1,291,199 |
| Fire safety equipment | 777,469 | - | - | 777,469 |
| Other equipment | <u>36,441</u> | <u>7,276</u> | <u>-</u> | <u>43,717</u> |
| Subtotal | 2,105,109 | 7,276 | - | 2,112,385 |
| Accumulated depreciation | <u>651,363</u> | <u>125,619</u> | <u>-</u> | <u>776,982</u> |
| Net capital assets being depreciated | <u>1,453,746</u> | | | <u>1,335,403</u> |
| Net capital assets | <u>\$ 1,501,226</u> | | | <u>\$ 1,382,883</u> |

Depreciation expense was charged to functions of the Township as follows:

| | |
|-------------------------|-------------------|
| Governmental activities | |
| General government | \$ 25,600 |
| Public safety | <u>100,019</u> |
| | <u>\$ 125,619</u> |

TOWNSHIP OF WHITE PIGEON

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 4 - CAPITAL ASSETS - Continued

Component Unit:

Capital assets activity for the year ended June 30, 2007, was as follows:

| <u>Component Unit</u> | Balance July 1, 2006 | <u>Additions</u> | <u>Disposals</u> | Balance June 30, 2007 |
|---|----------------------------|------------------|------------------|-----------------------------|
| Governmental activities | | | | |
| Capital assets, being depreciated: | | | | |
| Building and improvements | \$ 86,256 | \$ 3,400 | \$ - | \$ 89,656 |
| Equipment | 70,818 | 8,741 | - | 79,559 |
| Circulation inventory | 255,992 | 21,776 | - | 277,768 |
| Antiques | <u>9,910</u> | <u>-</u> | <u>-</u> | <u>9,910</u> |
| Subtotal | 422,976 | 33,917 | - | 456,893 |
| Accumulated depreciation | <u>81,601</u> | <u>31,671</u> | <u>-</u> | <u>113,272</u> |
| Net capital assets being depreciated | <u>\$ 341,375</u> | | | <u>\$ 343,621</u> |

Depreciation expense was charged to functions/programs of the Component Unit as follows:

Governmental activities:

Library \$ 31,671

TOWNSHIP OF WHITE PIGEON

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 5 - LONG-TERM DEBT

Long-term debt obligation activity can be summarized as follows:

| | <u>July 1, 2006</u> | <u>Additions</u> | <u>Reductions</u> | <u>June 30, 2007</u> | <u>Due Within One Year</u> |
|----------------------------|-------------------------|------------------|-------------------|--------------------------|--------------------------------|
| Note payable | \$ 45,338 | \$ - | \$ 45,338 | \$ - | \$ - |
| General Obligation Bond | <u>520,000</u> | <u>-</u> | <u>100,000</u> | <u>420,000</u> | <u>125,000</u> |
| Totals | <u>\$ 565,338</u> | <u>\$ -</u> | <u>\$ 145,338</u> | <u>\$ 420,000</u> | <u>\$ 125,000</u> |

Long-term debt payables at June 30, 2007, consisted of the following individual issues:

\$995,000 Building Authority unlimited tax bonds of 2000 (fire station construction and library building renovation) due in annual installments of \$100,000 to \$150,000 through April 1, 2010, interest at 5.60% \$ 420,000

The annual requirements to service the bonds outstanding to maturity, including both principal and interest, are as follows:

| <u>Year ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|-------------------|------------------|-------------------|
| 2008 | \$ 125,000 | \$ 23,608 | \$ 148,608 |
| 2009 | 145,000 | 16,670 | 161,670 |
| 2010 | <u>150,000</u> | <u>8,550</u> | <u>158,550</u> |
| | <u>\$ 420,000</u> | <u>\$ 48,828</u> | <u>\$ 468,828</u> |

NOTE 6 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for most risks of loss to which it is exposed. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF WHITE PIGEON

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 7 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The annual budget is prepared by the Township management and adopted by the Township Board; subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township were adopted on a function level basis.

During the year ended June 30, 2007, the Township incurred no expenditures in excess of the amounts appropriated at the legal level of budgetary control.

REQUIRED SUPPLEMENTAL INFORMATION

TOWNSHIP OF WHITE PIGEON
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2007

| | Original Budget | Amended Budget | Actual | Variance With Amended Budget |
|---|--------------------|-------------------|-------------------|---------------------------------------|
| REVENUES | | | | |
| Taxes and penalties | \$ 166,800 | \$ 166,800 | \$ 183,469 | \$ 16,669 |
| Licenses and permits | 30,150 | 30,150 | 25,218 | (4,932) |
| State grants | 143,500 | 143,500 | 152,856 | 9,356 |
| Charges for services | 57,025 | 57,025 | 58,834 | 1,809 |
| Interest | 6,800 | 6,800 | 24,812 | 18,012 |
| Other | <u>14,700</u> | <u>14,700</u> | <u>1,747</u> | <u>(12,953)</u> |
| Total revenues | 418,975 | 418,975 | 446,936 | 27,961 |
| EXPENDITURES | | | | |
| General government | 247,800 | 249,800 | 235,824 | 13,976 |
| Public safety | 105,650 | 118,726 | 117,952 | 774 |
| Public works | 1,700 | 1,700 | 1,669 | 31 |
| Community development | 3,000 | 3,000 | 1,050 | 1,950 |
| Recreation and culture | 7,400 | 7,400 | 5,600 | 1,800 |
| Capital outlay | 13,600 | 13,600 | 7,276 | 6,324 |
| Debt service | <u>27,724</u> | <u>47,724</u> | <u>46,914</u> | <u>810</u> |
| Total expenditures | <u>406,874</u> | <u>441,950</u> | <u>416,285</u> | <u>25,665</u> |
| Excess (deficiency) of revenues over expenditures | 12,101 | (22,975) | 30,651 | 53,626 |
| FUND BALANCE - Beginning of year | | | | |
| | <u>447,567</u> | <u>447,567</u> | <u>447,567</u> | <u>-</u> |
| FUND BALANCE - End of year | | | | |
| | <u>\$ 459,668</u> | <u>\$ 424,592</u> | <u>\$ 478,218</u> | <u>\$ 53,626</u> |